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SUBJECT: South China Labor Market - Good News and Bad News for
Migrant Workers

¶1. (SBU) Summary: If you're a migrant worker looking for a job in southern China, the latest news on the labor market is mixed. Job seekers still outnumber job openings in Guangdong's Pearl River Delta (PRD), but some companies are having trouble finding enough skilled workers. Overall, leaders of labor non-governmental organizations (NGOs) tell us that labor market conditions are largely unchanged in Guangdong from six months ago. One NGO representative told us, however, that the labor market in nearby Fujian Province was improving for migrant workers. The NGO leaders also noted that rates of workplace injuries and new labor dispute cases were decreasing, with less overtime and workers lacking faith in the legal system as possible explanations. Some migrant workers are starting businesses in their hometowns or trying their luck in other parts of China, but labor mobility is still discouraged by the inflexible social security system. End summary.

Little Change in Guangdong, Improvement in Fujian

¶2. (SBU) First the bad news: there are more job seekers than job openings in the PRD cities of Guangzhou and Shenzhen, according to leaders of labor NGOs in the two cities. In separate conversations with us, the NGO leaders said that local companies, feeling the pressures of the global financial crisis, are continuing to downsize or in some cases completely shut down operations.

¶3. (SBU) The good news? One Shenzhen NGO leader noted that, even though some workers cannot find jobs, some companies are having trouble hiring enough skilled workers. In addition, a smaller proportion of workers who traveled to their hometowns for the Chinese New Year holiday have actually returned to the cities for work, said one NGO leader. Some chose to stay home and start their own businesses, for example setting up food stalls or opening shoe polishing and repair shops. One NGO leader claimed that labor market conditions in the Pearl River Delta (PRD) were better than in the Yangzi River Delta (YRD). Nonetheless, some migrant workers who have failed to find jobs in the PRD have moved on to the YRD to try their luck there. Many migrant workers looking for work are still relatively discerning despite the global financial crisis and are unwilling to take just any available job.

¶4. (SBU) Overall, the NGO leaders believe the labor markets in Guangzhou and Shenzhen have not experienced any dramatic changes over the past six months. One NGO leader in Shenzhen pointed out that it was difficult to assess whether the unemployment rate was significantly higher than in previous years because of the apparent shortage of skilled workers.

¶5. (SBU) Labor market conditions in nearby Fujian Province, on the

other hand, appear to be improving, according to one NGO leader who recently traveled there. Since May, he said, there have been signs that the Fujian economy is picking up; factories are now receiving orders from overseas buyers resulting in the rehiring of migrant workers. However, he noted that wages had fallen, possibly to the 2006 level.

Decrease in Work Injuries and Labor Dispute Cases

¶16. (SBU) In Guangzhou, a decrease in work-related injuries is one indication the labor supply currently exceeds demand, according to one NGO leader in Guangzhou's Panyu District. Since fewer jobs are available and fewer hours are spent on overtime work, work-related injuries have decreased, he said. He also asserted that because fewer jobs were available, the number of labor dispute cases that usually come to his attention had decreased slightly.

¶17. (SBU) However, according to an NGO representative in Shenzhen, labor dispute cases have decreased because a growing number of workers have come to realize that the government tends to rule in favor of employers in cases concerning overtime payment and other compensation. As a result, he said, they have simply given up fighting for their rights.

Little Government Support for Workers

¶18. (SBU) Several NGO leaders noted a lack of government support for
GUANGZHOU 00000384 002 OF 002

unemployed migrant workers. Although the Shenzhen local government held a few job fairs after the Chinese New Year holiday, it has not provided as much assistance to migrant workers as it claims, said one NGO leader. While some local governments in the hometowns of the migrant workers say they are helping workers acquire loans to establish their own businesses, workers often need to have collateral or some other form of "guarantee of repayment," which most lack. In the opinion of one NGO representative from Shenzhen, local governments are more concerned about the survival of enterprises than the survival of migrant workers.

The Social Security Problem

¶19. (SBU) Some NGO leaders pointed to China's social security system as part of the labor market problem because it discourages labor mobility. Only a small percentage of Guangdong's migrant workers are covered by the government social security system, according to an NGO representative and a university professor from Guangzhou. In Guangzhou, an estimated 700,000 to one million migrant workers are covered by the system, but the total population of migrant workers numbers several million. Those workers employed by large foreign-invested companies and SOEs stand a better chance of being covered by the social security system than their counterparts in smaller, privately owned companies.

¶10. (SBU) Because social security funds cannot be transferred from one province to another, migrant workers who return to their hometown or move to other provinces will not receive social security benefits paid for in Guangdong. According to one Shenzhen NGO staffer, while young job-seekers are willing to try their luck in other PRD cities and provinces, the older job-seekers are returning home. An NGO representative in Guangzhou said that, based on his experience, migrant workers are short-sighted: they withdraw their social security contributions whenever they can, not caring about what they will live on in retirement. The Guangzhou-based professor pointed out that efforts are underway at the national and provincial level to address the lack of transferability.